

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00
COME-00 EPG-02 DODE-00 EB-07 FEAE-00 FPC-01 H-01
INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04
USIA-06 OES-07 SP-02 SS-15 STR-04 TRSE-00 ACDA-07
PA-01 PRS-01 SIL-01 LAB-04 /108 W
-----091726Z 003951 /45

R 091550Z JUN 77

FM AMEMBASSY ROME

TO SECSTATE WASHDC 5199

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

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BRUSSELS FOR USEEC

E.O. 11652: N/A

TAGS: ENRG, IT

SUBJECT: ITALIAN OIL INDUSTRY ACCENTUATES THE POSITIVE

SUMMARY: SPEAKERS AT JUNE 7 ANNUAL MEETING OF INDUSTRY
ASSOCIATION REPRESENTING ITALIAN PRIVATELY-HELD OIL COMPANIES
GENERALLY CHOSE TO BRUSH OVER VERY SUBSTANTIAL COMPANY LOSSES
IN 1976 IN FAVOR OF EMPHASIZING POSITIVE SIGNS FOR FUTURE.
MOST IMPORTANT OF THESE ARE INCREASED RECOGNITION OF IMPORTANCE
OF PRIVATE OIL COMPANIES IN ITALY AS EXPRESSED BY PARLIAMENT,
POLITICAL PARTIES, PRESS. GOI REMAINS MAJOR PROBLEM. PRESIDENT
CARTER'S ENERGY STATEMENTS CITED TO INDICATE SERIOUSNESS OF
ENERGY SITUATION. END SUMMARY.

1. AT JUNE 7 ANNUAL MEETING OF UNIONE PETROLIFERA (UP),
INDUSTRY ASSOCIATION REPRESENTING MOST PRIVATELY-HELD PETROLEUM
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COMAPANIES OPERATING IN ITALY (INCLUDING MANY US MULTINATIONALS),
SPEAKERS PREDICTABLY NOTED DISASTROUS 1976 OPERATING
RESULTS AND LISTED AREAS FOR REMEDIAL GOI ACTION. SOMEWHAT
SURPRISINGLY, MAJOR EMPHASIS WAS ON POSITIVE SIGNS FOR
IMPROVEMENT IN COMAPNY-ITALY RELATIONS.
MAJOR SPEAKER UP PRESIDENT (RE-ELECTED FOR A THIRD TERM)
GIOVANNI THEODOLI (ALSO PRESIDENT AND MANAGING DIRECTOR OF

CHEVRON OIL ITALIANA, CHEVRON'S ITALIAN AFFILIATE) POINTED TO GREATLY INCREASED PUBLIC AND OFFICIAL COMPREHENSION OF THE BENEFICIAL ROLE PLAYED BY THE PRIVATE OIL COMPANIES IN ITALY. THEODOLI ATTRIBUTED MUCH OF THE RESPONSIBILITY TO DEPUTY LORIS FORTUNA (SOCIALIST PARTY-PSI), PRESENT AT THE UP MEETING, WHOSE CHAMBER OF DEPUTIES INDUSTRY COMMITTEE RECENTLY FINISHED EXTENSIVE HEARINGS IN CONNECTION WITH THE ITALIAN ENERGY PLAN. THE COMMITTEE REPORT HAS STRESSED THE VITAL ROLE PLAYED BY THE PRIVATE PETROLEUM SECTOR IN ASSURING ITALIAN OIL SUPPLIES AND CALLED FOR THE GOI TO ADDRESS THE COMPANIES' PROBLEMS. THEODOLI SINGLED OUT PRESS AS WELL FOR ITS IMPROVED COVERAGE OF THE INDUSTRY. HE ALSO NOTED SUPPORTING (OR AT LEAST NOT HOSTILE) STATEMENTS IN FAVOR OF THE COMPANIES BY LABOR UNIONS, POLITICAL PARTIES AND EVEN THE PRESIDENT OF THE STATE-OWNED PETROLEUM COMPANY ENI.

2. ACCORDING TO THEODOLI, GOI PRICING POLICY (GOI FIXES MAXIMUM PETROLEUM PRODUCT PRICE LEVELS) WAS MAJOR FACTOR RESPONSIBLE FOR THE 1976 COMPANY LOSSES, ESTIMATED AT 700 BILLION LIRE (USDOLS 790 MILLION). ALTHOUGH NOTING THAT IMPORTANT GOI FIGURES HAD DECLINED TO ATTEND UP ANNUAL MEETING, THEODOLI DID SEE SOME SIGNS THAT GOVERNMENT ATTITUDES TOWARDS THE COMPANY'S NEEDS HAD IMPROVED. IN THIS CONNECTION, HE REFERRED TO THE GOI PRICE LEVEL INCREASE FOLLOWING THE OPEC CRUDE PRICE CHANGES. HOWEVER, THEODOLI EMPHASIZED THAT GOI HAD YET TO MOVE ON MATTERS OF GREAT INTEREST TO THE COMPANIES; PARTICULARLY: (A) ADOPTION OF NEW PRICING METHOD, WHICH WOULD DE-CONTROL SOME PETROLEUM PRODUCT PRICES; (B) ADJUSTING EXISTING MAXIMUM PRODUCT PRICE LEVELS TO REFLECT INCREASES IN LIMITED OFFICIAL USE

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REFINING AND DISTRIBUTION COSTS; (C) DISTRIBUTING TAX BURDEN ACROSS ENTIRE RANGE OF PETROLEUM PRODUCTS (PRESENT TAXES ARE HEAVILY CONCENTRATED ON GASOLINE); AND (D) PROGRESS ON RESTRUCTURING DOMESTIC REFINING AND DISTRIBUTION SYSTEMS.

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PA-01 PRS-01 SIL-01 LAB-04 /108 W
-----091728Z 004049 /45

R 091550Z JUN 77
FM AMEMBASSY ROME
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3. THEODOLI WAS FOLLOWED ON PODIUM BY GUIDO CARLI, EX-BANK OF ITALY GOVERNOR AND NOW PRESIDENT OF PRIVATE INDUSTRY ASSOCIATION CONFINDUSTRIA (WHICH UP JOINED AS FULL MEMBER IN FEBRUARY 1977 AFTER A LONG HISTROY OF INDEPENDENCE). CARLI'S BRIEF, OFF-THE-CUFF REMARKS COMMENTING POSITIVELY ON RECE T ITALIAN ECONOMIC DEVELOPMENTS OVERSHADOWED THEODOLI'S REMARKS IN MANY NEWSPAPERS. FOLLOWING CARLI, FORTUNA TOOK THE MICROPHONE. RECALLING BRIEFLY THE OIL INDUSTRY'S PAST RECORD OF SHADY DEALINGS (REFERRING TO OIL COMPANY POLITICAL PAYOFFS IN THE LATE '60S AND EARLY '70S), MAJOR PART OF FORTUNA'S REMARKS WERE HIGHLY FAVORABLE TO THE COMPANIES. PARTICULARLY, FORTUNA EMPHASIZED THE NEED FOR A MULTITUDE OF COMPANIES IN THE ITALIAN MARKET AND CALLED FOR MEASURES THATWOULD ASSURE THEIR PLACE IN A RIGOROUS AND COHERENT NATIONAL ENERGY POLICY. AS WELL, FORTUNA UNDERLINED THE NEED FOR THE GOVERNMENT AND PARLIAMENT TO: DO MORE TO ACQUAINT THE PUBLIC WITH THE SERIOUSNESS OF THEENERGY PROBLEM;
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TO REJECT THE "ZERO GROWTH" THESIS; ESTABLISH A DEFINITE ENERGY POLICY AND THEN STICK TO IT; AND TO NOT RPT NOT SET PRICES BASED ON ACTUAL PRODUCTION COSTS.(PRESUMABLY, PRICES WOULD REFLECT REPLACEMENT COST OR THERMAL PARITY).

4. ALL THREE SPEAKERS USED PRESIDENT CARTER'S ENERGY REMARKS AND PROPOSALS TO DRAMATIZE SERIOUSNESS OF ENERGY SITUATION AND EMPHASIZED NEED T UNDERTAKE MAJOR PROGRAMS OF CONSERVATION AND ENERGY DEVELOPMENT. CARLI NOTED WITH APPROVAL U.S. MOVES TOWARD DE-REGULATION OF ENERGY PRICES AND U.S. EFFORTS TO INVOLVE SMALL AND MEDIUM INDUSTRY IN RESOLVING U.S. ENERGY PROBLEMS. U.S. STUDIES INDICATING POSSIBLE OIL SHORTAGE IN

SHORT TERMS CITED TO STRESS URGENCY OF ACTION, PARTICULARLY
IN VIEW OF ITALIAN DEPENDENCE ON PETROLEUM.

5. COMMENT THEODOLI AND OIL INDUSTRY GENERALLY HAVE USED
UP ANNUAL MEETING TO PROTRAY INUSTRY SITUATION IN APOCALYPTIC
TONES AND TO MAUL GOI FOR ITS LACK OF RESPONSIVENESS.
THEODOLI'S "SOFT-LINE" AT THIS MEETING IS OBVIOUSLY DESIGNED
TO NOURISH THE STILL FRAGILE COMAPNY-GOI DIALOGUE ON THE
COMPANIES' PROBLEMS. PARTICULARLY, COMPANIES DO NOT WISH TO
PROVOKE GOI REACTION WHIC MIGHT FURTHER DELAY ISSUANCE OF
REGULATIONS PROVIDING FOR NEW PRICE REGIME WHICH WOULD FREE
PETROCHEMICAL FEED STOCKS AND HEAVY FUEL OIL FROM HOI MAXIMUM
PRICE CONTROLS. MAJOR DELAY IN THE AREA, ACCORDING TO GOI
REPS, IS INTERMINISTERIAL PRICE COMMISSION (CIP), WHOSE
BUREAUCRACY HAS THUS FAR FAILED TO MOVE MATTER FORWARD DESPITE
PRESSURE FROM MINISTRY OF INDUSTYRY AND OTHER SOURCES.
HOLMES

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Message Attributes

Automatic Decaptioning: X
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Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
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Original Handling Restrictions: n/a
Original Previous Classification: n/a
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Previous Handling Restrictions: n/a
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SAS ID: 2213577
Secure: OPEN
Status: NATIVE
Subject: ITALIAN OIL INDUSTRY ACCENTUATES THE POSITIVE SUMMARY: SPEAKERS AT JUNE 7 ANNUAL MEETING OF INDUSTRY ASSOCIATION REPRESENTING ITALIAN PRIVATELY-HELD OI
TAGS: ENRG, IT
To: STATE
Type: TE
vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/9d231782-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009